



ETS 2026-2030 FALLBACK BENCHMARKS ADJUSTMENT

POSITION PAPER ON COMMISSION'S PROPOSAL: COM(2026) 619 FINAL [\[link\]](#)

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Background

European Aluminium welcomes the Commission [Proposal](#) to review the ETS Directive, together with the [separate legislative proposal](#) allowing for the adjustment of the ETS Free Allocation fallback benchmarks for the 2026-2030 period.

These move in the right direction towards the objective of driving competitive and cost-effective European decarbonization, while introducing flexibilities on the ETS Cap trajectory to preserve the competitiveness of European industry.

Nonetheless, these proposals still need a couple improvements to truly support the European Aluminium industry to decarbonise while remaining globally competitive: aluminium producers in Europe are already amongst the most decarbonised in the world, but continue to face higher operating costs due to structurally high energy prices and the need to recoup investments in decarbonisation technologies. Given the global nature of the sector and the commodity's trade intensity, they operate in highly competitive international markets where cost increases cannot be passed on.

Furthermore, the necessary decarbonisation technologies are not widely available at commercial scale and, in most cases, will only become so towards the end of the next decade. Furthermore, the availability of renewable energy in sufficient amounts and at competitive prices, as well as the related dedicated infrastructure are often not locally available today.

More time is needed to deliver this to ETS industrial sectors, which have limited control of the availability of the energy system's supply and related infrastructure.

ETS Fallback Benchmarks update for 2026-2030: more allocation is needed

In order to alleviate the carbon cost burden to installations subject to the fall-back approach in the short term, the Commission [presented a separated proposal](#) amending the [ETS Directive](#) by introducing a new Article 10a(2a) which empowers the Commission to reduce the maximum annual benchmark reduction rate to a level that fully uses the additional free allocation made available under Article 10a(5a); This is the free-allocation ceiling that can be increased, where necessary, by up to 3% of the total EU ETS allowance quantity. This, in turn, reduces the quantity that would otherwise be auctioned. The Commission states that this would amount to approximately 80 million allowances, which would be available for the 2026–2030 period.

According to the latest figures from DG CLIMA, this will lead to some additional Free Allocation for alumina refineries and recycling/cast houses, and transformation plants, subject to the fall-back when compared to the applicable values for 2026 (see table below with the provisional figures shared with EU Member States in July 2026).

Metric	2021–2025	2026	2027	2028–2030	Total 2026–2030
Max annual update rate	—	-2.5%	-1.31%	-1.90%	—
Heat benchmark (tCO ₂ /TJ)	47.3	31.2 (-34.0%)	46.0 (-2.7%)	38.6 (-18.4%)	—
Fuel benchmark (tCO ₂ /TJ)	42.6	28.1 (-34.0%)	41.4 (-2.8%)	34.8 (-18.3%)	—
Free allocation (EUA)	—	68 M	100 M (68 + 32 M, i.e. 40% of 80 M)	81 M/year	410 M (330 + 80 M)

Overall, compared to the benchmark values for 2021-2025, the additional free allocation starting from 2028 would correspond to a reduction of the value by - 18% and, to avoid retroactivity issues, of -3% for 2027 in order to compensate for the -34% reduction in 2026.

However, these changes are not enough. They still result in benchmarks that are considerably lower than the levels of CO₂ emission performance that can be achieved¹ by alumina refineries² and aluminium recyclers³, leading to millions of Euros in additional costs without additional climate benefits.

Alumina refineries, aluminium recyclers and semis producers in Europe still struggle due to high energy prices and scrap leakage, jeopardising further investments in recycling capacity and putting at risk the potential benefits of European circularity.

Policy recommendations:

- For 2026-2030, the 2021-2025 heat and fuel benchmark values should remain unchanged for alumina refining and aluminium recycling, cast-house and transformation installations until representative sector-specific benchmarks or an equivalent targeted methodology are in place. Given the limited number of alumina and recycling/downstream installations under the fall-back approach (5 alumina plants and around 60 recycling/downstream installations), a targeted freeze for these plants would very likely not trigger the CSCF. Meanwhile, in the post-2030 Review of the Directive, the Commission should be empowered to develop sector-specific benchmarks for these processes post-2030, taking into account the available technologies, energy, infrastructure and scrap input needs as well as the different system boundaries for comparing and identifying the best-performing plants.
- Only as a second best, building on DG CLIMA's impact assessment for the 2013-2020 benchmarks, the fuel and heat benchmark could once again be based on natural gas references, to take into account the increase in the use of zero-emission solutions and improved efficiency since 2008 and until 2030. This approach could lead to a reduction by 28% since 2013 and the resulting values would be 44,856 for the heat benchmark and 40,392 for the fuel benchmark, as proposed by the French government.⁴
- To avoid the cross-sectoral correction factor (CSCF), the following elements should be considered: i) to anticipate the proposed increase in the ETS Review of the Free Allocation Buffer from 3% to 4%,; ii) allow the use of extra allowances from the New Entrants Reserve or iii) the allowances recovered from the conditionality requirements.

¹ <https://european-aluminium.eu/wp-content/uploads/2024/01/2023-12-18-EA-consultation-response-to-draft-ETS-FAR-rules.pdf>

² <https://european-aluminium.eu/wp-content/uploads/2025/11/2025-07-08-European-Aluminium-letter-on-the-need-for-an-ETS-product-benchmark-for-Alumina.pdf>

³ <https://european-aluminium.eu/wp-content/uploads/2025/06/2025-06-18-European-Aluminium-letter-ETS-Benchmark-for-Al-recycling.pdf>

⁴ French Technical Note on Fallback benchmarks, June 2026

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